

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

PCC on China

FROM

ANIO/East Asia

EXTENSION

NO.

NIC #00756

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SIAT

DATE

13 July 1989

TO: (Officer designation, room number, and building)

DATE

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COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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The Director of Central Intelligence

Washington, D.C. 20505

NIC #00756/89

12 July 1989

National Intelligence Council

MEMORANDUM FOR: Deputy Director for Central Intelligence  
VIA: Chairman, National Intelligence Council  
FROM:  Assistant National  
Intelligence Officer for East Asia  
SUBJECT: PCC on China

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1. The PCC on China held on 10 July followed the format that has become customary (and rather pro forma) in the four sessions Kent Harrington or I have attended since the Tiananmen massacre. CIA presents a brief intelligence overview of the current leadership and security situation, which is followed by recitations of bilateral problems by the numerous bureaucracies in attendance. Meeting was chaired by Deputy Assistant Secretary for East Asia, William Clark. There is relatively little discussion of issues raised--the purpose of the meeting seems to be more in the nature of keeping each other informed of China-related information.

2. While the US Government is undertaking no new sanctions against the PRC, those already imposed, plus the overwhelming vote of Congress to punish China further, have had a chilling effect on virtually all bureaucracies. State is deluged with legislation proposals and briefing requirements on the Hill. For other bureaucracies, decisions made to postpone various bilateral programs are now beginning to look like cancellations. The human rights determination on China is still being fought out in State, and that has held up consideration of new loans or even the disbursement of previously approved loans by the World Bank, Eximbank, and the Trade Development Program. The Department of Commerce reported that, with their new procedures for approving technology licenses to China (five layers of review), applications have dropped by two thirds. The Overseas Private Investment Corporation has held up all China-related cases.

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3. For their part, the Chinese are contributing to the slowdown of the bilateral relationship. They ~~canceled several high-level visits, postponed scheduled bilateral negotiations, disinvented the Peace Corps, and are cutting back on cultural and educational exchanges.~~ At the same time, Chinese officials in both official and unofficial capacities are expressing grave concern that the relationship not be allowed to slip any further. Similar noises are emanating from the White House and the East Asia Bureau.

4. On the business front, it is estimated that about ~~20 percent of the US businessmen~~ who left China in June ~~have now returned.~~ Others are using the State travel advisory as an excuse to hold off deciding future involvement in China. The sharpest visible decline in the US-China relationship is in tourism. Both United and Northwest, as well as JAL and other foreign carriers, have cut back to one or two flights per week into China, and even those are going in less than one-fourth full.

5. ~~DOD and State have ordered that no US official personnel are to attend the August 1 celebration of the founding of the PLA.~~

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